

December 18, 2014
Burlington Employees' Retirement Board
Burlington Electric Department

Board Members Present: Jim Strouse Robert Hooper
 Munir Kasti Bob Rusten
 Daniel Gilligan Jeff Wick
 Benjamin O'Brien

Others Present: Stephanie Hanker (SH)
 Kimberly Sturtevant
 Barry Bryant, Dahab Associates
 David Driscoll (via phone)

Jim Strouse convened the meeting at 9:03am

Prior to the agenda being approved David Driscoll from Buck Consultants was present by phone to review the draft valuation that had been received the prior day. David Driscoll stated the unit credit actuarial cost method was used for this valuation. David stated the valuation shows that as of June 30, 2014 the plan has accrued liabilities of \$217,073,290, of that amount \$129,162,621 represented the current value of benefits payable to retired members, beneficiaries and former vested members and \$87,910,669 represents the accrued liability for future benefits payable to active members. David stated the plan currently has actuarial assets of \$158,411,427, making the difference between the assets and liabilities \$58,661,863 which represents the unfunded past service cost as of June 30, 2014, which is a decrease of \$4,932,766 from year ending June 30, 2013. David Driscoll stated the net pension obligation by the City decreased to \$1,884,622 as of June 30, 2014 compared to \$1,909,802 as of June 30, 2013. David Driscoll stated this year is the first year the City was required to change its reporting process from GASB 25 to GASB 67. David Driscoll stated the decrease was due to good investment results and smoothing. David Driscoll stated the investment returns were reported at well above the 8% return on investment. David Driscoll stated another factor of the decrease is due to favorable experience within the plan. Jim Strouse asked if the method of EAN was used to complete this valuation as well as the newly adopted mortality rates. David Driscoll stated he was unaware the Board had adopted to use entry age normal and the new mortality tables. David Driscoll asked if those methods are to be used for this valuation or going forward from the adoption. Jim Strouse stated those are to be used for this valuation. David Driscoll stated he would like something in writing stating those are to be used. Jeff Wick moved to apply the adopted changes, open group method, entry age normal and the new mortality tables be applied to the valuation ending June 30, 2014. Bob Rusten 2nd. Motion Carries 7:0

Munir Kasti asked for discussion. Munir Kasti asked what the cost would be to redo this valuation using the new methods. David Driscoll stated he could not give an exact amount, but should not be significant. Munir Kasti asked for a ballpark figure. David Driscoll stated \$5,000 - \$10,000. Bob Rusten asked if this would hold up the final version of the valuation. David Driscoll stated that the Board would still have the final version by the end of the year. Discussion of motion over.

Munir Kasti stated he could not identify where in the valuation it reflected the additional contribution made by the City for the members over age 65. Rich Goodwin stated it was a one time catch up payment that is not reflected as a contribution. Munir Kasti asked what rate of return was reported for investments. David Driscoll stated that Dahab had provided them, as of June 30, 2014, the rate of return was 13.7%. Daniel Gilligan stated that on page 15 under eligibility he found a typo in regards to the Police eligibility, he stated the age should be 50 plus 20 years of service, not age 40. Bob Rusten stated he has asked David Driscoll to compile an executive summary. David Driscoll stated that would be submitted along with the final version. Benjamin O'Brien stated he also found an error under eligibility in regards to the Fire age and service. David Driscoll asked that the current contracts be submitted to him.

David Driscoll exited at 9:45am.

1. **Agenda:**

Jim Strouse added item number 6a, for a discussion and vote regarding the Martin Currie fund and under Other Business the Board needs to discuss the Divestment Task Force set up by the City Council.

Bob Rusten moved to approve agenda as amended, Jeff Wick 2nd. Motion carries 7:0

2. **Approve Minutes of 11/20/2014:**

Bob Rusten moved to approve the minutes as presented. Bob Hooper 2nd. Motion carries 7:0

3. **Approval of Bills:**

Bob Rusten moved to approve the minutes as presented. Munir Kasti 2nd. Motion carries 7:0

4. **Consideration of Retirement Applications**

Bob Hooper moved to approve the applications presented. Munir Kasti 2nd. Motion carries 7:0

5. **Ratify Rollover / Refunds:**

Munir Kasti moved to approve the refunds presented. Munir Kasti 2nd. Motion carries 7:0

6. **Presentation by Barry Bryant – Performance Review:**

Barry Bryant stated for the third quarter the total portfolio returned -2.2%, which was 0.4% less than the Burlington Manager Shadow Index's return of -1.8% and ranked 95th percentile of the Public Fund universe. Barry Bryant stated over the trailing year, the fund returned 8.0%, which was 1.4% above the benchmark's 6.6% return, ranking in the 86th percentile. Barry Bryant stated since September 2004 the account returned 6.5% on an annualized basis and ranked in the 72nd percentile.

Barry Bryant stated currently the Board has funds in Martin Currie, a comingled fund, and Martin Currie has closed this fund, currently the City is the only individual in the fund. Barry Bryant stated the Board needs to decide on what they would like to do with the money currently in the fund, as Martin Currie would like to close the fund. Barry Bryant stated he would recommend to the Board that the money be liquidated and moved to VPIC. Jeff Wick asked how much money was currently in the fund. Barry Bryant stated \$3.276 million. Jim Strouse asked what the process is for liquidating the money. Barry Bryant stated someone from the City will need to work with Martin Currie to do this. Barry Bryant stated he would give them Rich Goodwin's contact information.

Barry Bryant stated he had done a lot of work with socially responsible investing and asked if the Board would like to speak about divestment of fossil fuels. Barry Bryant stated he felt that if you decide to divest in fossil fuels it will not make a difference, as oil companies are massive, they will not notice Burlington, Vermont has pulled their investments. Barry Bryant stated if it is the behavior of oil companies you are trying to do, you would be best to adopt a policy of engagement and own stock and align with like minded stockholders. Barry Bryant stated the divestment in fossil fuels and socially responsible investing is getting a lot of attention. Barry Bryant stated engagement is more fruitful, but complicated, and would suggest hiring a person to vote proxy's. Barry Bryant stated it will not stop at fossil fuels. Benjamin O'Brien stated he believed the Board spoke about this a few years ago and stated the Board is here to make money. Barry Bryant stated that is how VPIC feels, there is an argument as a trustee you have economic responsibility to the members of this fund. Bob Rusten stated the City Council would like a policy on divestment, then to look at if it makes sense to divest from fossil fuels. Benjamin O'Brien stated he wanted to clarify, the City Council can make recommendations, but the Board has the final say of the investments. Bob Rusten stated the authority is designated by the City Council and read the resolution the City Council had prepared. Barry Bryant suggested hiring a proxy voting service; they will help you develop guidelines in regards to investments and you can show the Board is doing the best possible thing, this would approximately cost between \$5000 - \$7000.

Barry Bryant stated that it is appropriate for the Board to put out an RFP for a consultant after seven years, but, wondered what the intention behind this

is. Barry Bryant stated he has been trying to drive the Board towards making a decision about VPIC. Barry Bryant asked if this meant if the Board has decided to pull the money out of VPIC and you want to make sure the firm that invests your money is the best possible firm or were there other motivations. Barry Bryant stated the reason he needs to know this is so when he is preparing presentations for the Board what they are thinking or where your head is in that. Barry Bryant stated he wrote a letter about VPIC and he thinks that they have constituted a very low volatility strategy and we happen to have a very different investing philosophy. Barry Bryant stated VPIC has decided that they want low volatility portfolio and that is their biggest driver, but, the City of Burlington is only about 75% funded and he does not think short-term volatility may work for the City of Burlington. Barry Bryant stated he recommends that going toward higher risk strategies and that involves a risk assessment. Barry Bryant suggested that the Board should consider going for higher long-term return and accept more volatility because of the underfunded status. Bob Rusten stated the Board has not decided to pull their money out of VPIC, but, did pass a motion that the Board needed to, over a period of time, understand the implications of that decision, looking at where to put the money and doing their due diligence of looking at moving out and looking at hiring a consultant to help us do that analysis. Barry Bryant stated that if the board goes through the RFP process you are going to get the RFP process, but not an analysis. Barry Bryant stated that he could do that work for the Board. Barry Bryant stated he needs direction on what you would need from him. Bob Rusten stated he would continue to provide us with the information that you typically provide. Bob Rusten stated the Board is looking for someone that would help them through the process of doing the due diligence about moving our money out of VPIC because there were questions being raised about all of the implications of doing that. Barry Bryant asked what questions have not been answered. Jeff Wick stated he felt Barry has been doing that for the Board. Jeff Wick stated we do not have the structure or support to administer their own fund.

7. Further Discussion of Retirement Actuarial Methods and Assumptions:

No additional information has been received will table until then.

8. Discussion of Consultants RFP:

Jim Strouse stated the previous RFP was onerous. Bob Rusten suggested a separate meeting to discuss the RFP, as he was not 100% clear if everyone has the same thoughts.

9. Schedule Special Budget Meeting for January:

January 22 at 9am was agreed upon by the Board

10. Other Business:

Jim Strouse stated the he would like to see member of the Board represented on the City Council's divestment task force. Jim Strouse stated there needs to

be a citizen member, a union member and a non union member. Jim Strouse stated it was a requirement that they be from the Board. Jim Strouse asked Jeff Wick if he would like to be the citizen member, and Joan Shannon had also thought Jeff would be good for this as well. Jeff Wick agreed to be the citizen member. Ben O'Brien volunteered to represent the union members. Munir Kasti agreed to represent non-union members on the task force.

Jeff Wick moved to adjourn, Benjamin O'Brien 2nd. Motion carries 7:0. Meeting Adjourned 11:02am.